



Pergamon

International Business Review 9 (2000) 163–190

INTERNATIONAL
BUSINESS
REVIEW

www.elsevier.com/locate/ibusrev

The eclectic paradigm as an envelope for economic and business theories of MNE activity

John H. Dunning

Reading University, UK and Rutgers University, USA

Abstract

This paper updates some of the author's thinking on the eclectic paradigm of international production, and relates it to a number of mainstream, but context-specific economic and business theories. It suggests that by dynamizing the paradigm, and widening it to embrace asset-augmenting foreign direct investment and MNE, activity it may still claim to be the dominant paradigm explaining the extent and pattern of the foreign value added activities of firms in a globalizing, knowledge intensive and alliance based market economy. © 2000 Elsevier Science Ltd. All rights reserved.

Keywords: Eclectic paradigm; Foreign direct investment; Multinational enterprise

1. Introduction: the contents of the eclectic paradigm

For more than two decades, the eclectic (or OLI¹) paradigm has remained the dominant analytical framework for accommodating a variety of operationally testable economic theories of the determinants of foreign direct investment (fdi) and the foreign activities of multinational enterprises (MNEs).²

The eclectic paradigm is a simple, yet profound, construct. It avers that the extent, geography and industrial composition of foreign production undertaken by MNEs is determined by the interaction of three sets of interdependent variables — which, themselves, comprise the components of three sub-paradigms. The first is the com-

¹ Ownership, Location and Internalization.

² As described, for example, in Caves (1982, 1996) and Dunning (1993). For the purposes of this article we use fdi and international production, viz. production financed by fdi, as interchangeable terms.

petitive advantages of the enterprises seeking to engage in fdi (or increase their existing fdi), which are specific to the ownership of the investing enterprises, i.e. their ownership (O) specific advantages. This sub-paradigm asserts that, *ceteris paribus*, the greater the competitive advantages of the investing firms, *relative to those of other firms* — and particularly those domiciled in the country in which they are seeking to make their investments — the more they are likely to be able to engage in, or increase, their foreign production.

The second is the locational attractions (L) of alternative countries or regions, for undertaking the value adding activities of MNEs. This sub-paradigm avers that the more the immobile, natural or created endowments, which firms need to use jointly with their own competitive advantages, favor a presence in a foreign, rather than a domestic, location, the more firms will choose to augment or exploit their O specific advantages by engaging in fdi.

The third sub-paradigm of the OLI tripod offers a framework for evaluating alternative ways in which firms may organize the creation and exploitation of their core competencies, given the locational attractions of different countries or regions. Such modalities range from buying and selling goods and services in the open market, through a variety of inter-firm non-equity agreements, to the integration of intermediate product markets, and an outright purchase of a foreign corporation. The eclectic paradigm, like its near relative, internalization theory,³ avows that the greater the net benefits of internalizing cross-border intermediate product markets, the more likely a firm will prefer to engage in foreign production itself, rather than license the right to do so, e.g. by a technical service or franchise agreement, to a foreign firm.

The eclectic paradigm further asserts that the precise configuration of the OLI parameters facing any particular firm, and the response of the firm to that configuration, is strongly contextual. In particular, it will reflect the economic and political features of the country or region of the investing firms, and of the country or region in which they are seeking to invest; the industry and the nature of the value added activity in which the firms are engaged; the characteristics of the individual investing firms, including their objectives and strategies in pursuing these objectives; and the *raison d'être* for the fdi.

Regarding this last contextual variable, scholars have identified four main types of foreign based MNE activity⁴:

1. That designed to satisfy a particular foreign market, or set of foreign markets, *viz. market seeking*, or demand oriented, fdi.
2. That designed to gain access to natural resources, e.g. minerals, agricultural products, unskilled labor, *viz. resource seeking*, or supply oriented fdi.
3. That designed to promote a more efficient division of labor or specialization of an existing portfolio of foreign and domestic assets by MNEs, i.e. *rationalized*

³ As, for example, set out in Buckley and Casson (1976, 1985, 1998), Hennart (1982, 1989) and Rugman (1982, 1996).

⁴ For an elaboration of these and other kinds of fdi (e.g. escape, support, and passive investments), see Dunning (1993) chapter 3, p. 61–3.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات